

Message Text

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SUBJ: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: STATE A-1424

1. GOE POLICY IS TO AUTHORIZE CONVERSION OF LE TO U.S. DOLLARS FOR REPATRIATION IMMEDIATELY UPON APPLICATION BY U.S. FIRM. HOWEVER, CRITICAL EGYPTIAN FOREIGN EXCHANGE POSTION EFFECTIVELY PRECLUDES TRANSLATING THIS POLICY INTO PRACTICE.

2. U.S. FIRMS SURVEYED REPORTED TRANSFER DELAYS RANGING FROM THREE TO TWENTY-FOUR MONTHS, BUT ALL ATTRIBUTED DELAY SOLELY TO LACK OF FOREIGN EXCHANGE AVAILABLE TO GOE FOREIGN EXCHANGE CONTROL AUTHORITY AND NOT TO FORMAL ACTIVE BLOCKAGE BY GOE. U.S. FIRMS UNANIMOUSLY OPINED THAT CREATION OF MARALLEL MARKET DEVICE IN LATE 1973 PERMITTING FX TRANSACTION AT LESS THAN OFFICILA RATE HAD GREATLY REDUCED WAITING PERIOD FOR CONVERSION. PRIOR TO THAT STEP, ALMOST TOTAL UNAVILABILITY OF GOE-SUPPLIED FOREIGN EXCHANGE RESULTED IN DELAYS OF THREE TO TEN YEARS IN AUTHORIZING TRANSFERS.

3. REPRESENTATIVE EXPERIENCES OF U.S. FIRMS FOLLOW:
A. HOTEL MANAGEMENT COMPANY PREVIOUSLY EXPERIENCED TWO TO THREE-YEAR LAG IN TRANSFERRING
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PROFITS. SINCE CREATION OF PARALLEL MARKET, FIRM

TRANSFERS ANNUALLY WITH USUAL DELAY OF THREE TO FOUR MONTHS FROM DATE OF APPLICATION. 1974 PROFITS TRANSFERRED TO U.S. IN OCTOBER 1975. EXPECT TO HAVE 1975 PROFITS REPATRIATED BY AUGUST 1976.

B. OIL MARKETING FIRM REPORTS TRANSFERS EFFECTED WITHIN TWENTY-FOUR MONTHS OF DELCARATION OF DIVIDENDS. COMPANY STATES GOE AUTHORITIES SYMPATHETIC BUT ABILITY TO ACT CLEARLY LIMITED BY NONAVAILABILITY OF FOREIGN EXCHANGE.

C. PHARMACEUTICAL MANUFACTURER STATES INITIAL TRANSFER TOOK TEN YEARS TO EFFECT. UTILIZING PARALLEL MARKET RATE SINCE LATE 1973 HAS REDUCED THIS TO AVERAGE OF 90 DAYS. ALL ROYALTIES HAVE BEEN TRANSFERRED THROUGH 1975. TRANSFERS OF 1971-73 DIVIDENDS NOW BEING SOUGHT, WITH PERMISSION EXPECTED WITHIN 90 DAYS. ALTHOUGH FIRM ENTITLED TO TRANSFER FUNDS AT OFFICIAL RATE, PERMISSION TO DO SO NOT FORTHCOMING DUE TO GOE FOREIGN EXCHANGE POSITION.

D. U.S. AIRLINES NOW HOLDING LE 1.3 MILLION MARCH 1975 FIRM TRANSFERRED LE SURPLUSES FOR NOVEMBER/DECEMBER 1974 AND JANUARY /FEBRUARY 1975 (LE 393,002) THROUGH "C" ACCOUNT (SPECIAL ACCOUNT ALLOWING FOREIGN FIRMS IN TOURIST INDUSTRY TO BUY FX OUTSIDE OFFICIAL CHANNELS) TAKING CURRENCY LOSS OF 36.5 PERCENT. EARLY 1974 FIRM HAD EFFECTED 60 PERCENT OFFICIAL /40 PERCENT "C" ACCOUNT TRANSFER AFTER DELAY OF 20 MONTHS.

4. FOR PURPOSES OF OPIC PROGRAMS IT IS WORTHWHILE NOTING THAT NONE OF ABOVE COMPANIES ARE IN EGYPT UNDER PROVISIONS OF LAW 43. UNDER CURRENT RULES INVESTMENTS IN EGYPT MUST GENERAGE ALL THEIR FOREIGN EXCHANGE REQUIREMENTS THROUGH EXPORT EARNINGS. IN THIS SITUATION, QUESTION OF CONVERTIBILITY DOES NOT ALLPY SINCE NECESSARY FUNDS WILL ALREADY BE IN HARD CURRENCY. THUS, SPECIFIC POINT RAISED REPAIR MAY NOT BE APPLICABLE TO EGYPT.

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